

CITY OF HORSESHOE BAY

CITY COUNCIL PUBLIC MEETING

May 9, 2006

The Council of the City of Horseshoe Bay held a Public Meeting at City Hall, located at #1 Community Drive, Horseshoe Bay, Llano County, Texas, May 9, 2006, in accordance with duly posted notice of said meeting. Mayor Lambert called the meeting to order at 3:00 p.m. with a quorum of Council Members present as follows:

Robert W. Lambert, Mayor
James E. Babcock, Mayor Pro Tem
John Bird, Alderman
Don Wood, Alderman
Karen Wines, Alderwoman
Vernon E. Schrader, Alderman

The posted agenda for this meeting is made a part of these minutes by attachment and the minutes are herewith recorded in the order the agenda items were considered with the agenda subject and item number shown preceding the applicable paragraph.

1. Call to Order and Establish a Quorum: Mayor Lambert called the Public Meeting to order at 3:00 p.m. with a quorum present. Reverend Johnny White from the Church at Horseshoe Bay led the invocation. Mayor Lambert then led the pledge of allegiance to the United States Flag and the Texas Flag.
2. Comments from Mayor: Mayor Lambert welcomed the guests and asked that anyone wishing to speak on a specific Agenda Item to please sign in.
3. Comments from Aldermen: There were no comments from the Aldermen.
4. Public Comments: Ryder Warren, Superintendent of Marble Falls Schools gave an update on the school district. Currently, there are 4,000 students enrolled and they anticipate there will be 4,100 enrolled in August 2006. They are looking at possibly expanding the middle school due to the fact there are currently about 835 students in the middle school. He stated that the Texas Legislature is back in session and they are working with them to try to solve the school funding issue. He is working closely with Senator Troy Fraser. Their current tax rate is \$1.64 and they are trying to possibly lower it to less than \$1.00. Their M & O tax is \$1.49 and their I & S tax is \$0.15. The district has grown at a rate of 5%-6% for the last three years. He stated that about 10% of their students use English as a second language. The enrollment consists of approximately 65% white, 30% Hispanic, and 5% African American. The District has about 85 families that are Katrina victims, with 70 to 80 children in the student body.

5. Items to be Removed from Consent Agenda: Mayor Lambert stated there were two items to be removed from the consent agenda, Item #6.b.v. & #6.b.vi. He then asked if there were any other items to be removed. There were none. Mayor Lambert stated that these two items were not ready for final approval, and to follow state law, they have to be removed from the agenda and rejected. Alderman Wood made the motion to turn down the requested replats. The motion was seconded by Alderwoman Wines. The motion passed by unanimous vote (5-0).
6. Consent Agenda Items: Alderwoman Wines made the motion to approve the remainder of the Consent Agenda Items as submitted:
- a. Approve Minutes of the April 18, 2006, Public Meeting and April 27, 2007, Special Meeting
 - b. Final Plat Approval:
 - i. Replat of Lots W29001-1, W29002-3, W29002-4, W29002-5, and a portion of W29001-2 of Horseshoe Bay West Plat No. W29.13 to be known as Horseshoe Bay West Plat No W29.17, Llano County.
 - ii. Replat of Lots 43033-A and 43033-B of Horseshoe Bay Plat No. 43.2 to be known as Horseshoe Bay Plat No. 43.33, Burnet County.
 - iii. Replat of Lots W27009, W27010, and W27011 of Horseshoe Bay West Plat No. W27.1 to be known as Horseshoe Bay West Plat No. W27.4, Llano County.
 - iv. Replat of Lots W29007 and W29008 of Horseshoe Bay West Plat No. W29.1 to be known as Horseshoe Bay West Plat No. W29.18, Llano County.
 - vii. Replat of Lots 4, 5, and Reserve 4 of the Trails of Lake LBJ, Phase One Plat to be known as the Plat of Lots 4-A, 5-A, and Reserve 4-A of the Trails of Lake LBJ, Phase One Plat, Llano County.
 - viii. Subdivision Plat of 8.68 AC of the Levi Mercer Survey No. 2, Abstract No. 505 being part of the Trails of Lake LBJ Subdivision to be known as the Plat of the Trails of Lake LBJ, Phase Two-A, Llano County.
 - c. Resolution Providing for the Sale of Property acquired by the Burnet Central Appraisal District at Delinquent Tax Sale
 - d. Collection Agreement Between the City of Horseshoe Bay and the Burnet Central Appraisal District

The motion was seconded by Alderman Wood. The motion passed by unanimous vote (5-0).

7. General Manager's Report: General Manager Mike Thuss reported the typical and normal reports were included in their packet with two exceptions. The Investment Report was not included due to the fact the meeting was so early in the month the staff was unable to get the report completed and it will be included with the information in the June packet. The same is true with the Public Safety Reports. The Budget report is included in the new format with the funds broken into two categories, the Water Utility Fund and the General Fund. He stated as of March 31st the Water Utilities revenue funds are \$60,000 ahead of schedule and the expenses are about \$12,000 less than budgeted. In the General Fund, revenue is \$6,700 ahead of schedule and expenses are \$21,000 less than budgeted. Mr. Wood noted that those figures are from the date the City assumed the MUD. Mr. Thuss stated there were no lost time accidents in the month of April and we conducted our safety meeting on May 2nd with Alderwoman Wines attending.

Mr. Thuss then gave updates on the Capital Improvement Program. The Central Water Treatment Plant is currently producing water in accordance with specifications and the plant is still on schedule to be complete in mid-May. However, due to recent rains the progress on the paving is slightly behind schedule. The contractor anticipates being off premises by mid-June. The Centex Water Project is complete and we will settle up with their reserve fee and payment by the end of this week. The designs for the Matern Island project are being reviewed and this project is on schedule. The TxDOT project that requires moving some of our lines is in the process of being reviewed. Once TxDOT approves this we will finalize the cost. Staff recommends using TxDOT's already approved excavation contractor in order to avoid having to go through the bid process and they can perform the work in conjunction with the TxDOT project. This should save money for the City, as well as time, and assist TxDOT with staying on schedule. This project should begin on June 1. Alderman Babcock questioned the fact that the City has to pay to relocate City lines for a TxDOT project. Mr. Thuss stated that it is the normal procedure that the City would move the lines at the City's expense. Alderman Wood stated that this had never happened during his time on the MUD Board, and noted that we have to move the line if it is in TxDOT's right-of-way.

Mr. Thuss stated the Fire Department utilized their new air packs they had received through a grant during the recent fire on Lasso and they worked well. There will be a request in the next Council packet to donate the old packs to another fire department since the City has no further use for them. City Staff participated in Earth Day activities on Saturday, April 27th. They picked up trash along Hwy 2147 and the meal was held here at Martin Park. Mr. Thuss stated he is working with Centex regarding their construction traffic and they have added tighter controls. There are still issues with Resort commercial traffic and the air conditioning condensation line but he is working with Mr. Mitchell on these issues. The Hills Section Three Property Owner's Association has requested fire protection from the City and he has drafted a contract based on the existing contract with The Hills Section One and Two and has forwarded a copy to Mr. Aker's office for review. Mr. Thuss stated a fire hydrant and approximately 1,000 feet of line will need to be installed. He has provided them a cost estimate and a copy of the draft contract and is now waiting for them to contact him if they wish to continue. Alderman Wood said that we are charging them on the front end to install the necessary lines and hydrants and then will charge them a fee as we do the other subdivisions we provide fire protection to. Mr. Thuss then reported that the TWCA will be meeting in Horseshoe Bay at the Marriot on June 7, 8 and 9. This is a state-wide organization that deals with water, flood plain management and the City is a member. Mr. Thuss asked the Council members to contact him if any of them wish to attend any portion of the meetings. He will provide an agenda for each of them. Mayor Lambert thanked Mr. Thuss for the update.

8. Update on Central Water Treatment Plant Project: Alderman Wood presented a Power Point Presentation on the Central Water Treatment Plant Project and also some additional information on water treatment capacity, the water distribution system, and water demands and growth projections. He agreed with Mr. Thuss on the status of completion of the new plant. There is still an Administration Building for the water treatment plant that needs to be built on a separate contract. The new plant is a 4 MGD plant and is replacing a 3MGD plant.

It is a membrane filtration plant for a cost of \$10 million and is expandable to 8 MGD for around \$2 million. He gave examples of how the system actually works. He explained the membrane filtration system and why it was chosen. The capital cost was somewhat more than for a conventional plant, but the operating cost is less so that the net present value life cycle cost was actually lower. It is also relatively inexpensive to expand, has a greater ability to meet future requirements by the EPA, and is more adaptable to automation. This plant can basically run by itself; however, it does need operator attention. It can produce water 16 hours a day unattended. It is equipped with alarms to page operators in the event something does go wrong. In 2003, Carter Burgess was selected as the engineer, and for the next year they worked on plans and also a pilot study required by TCEQ in order to build a membrane plant. The project was put out for bids October 1, 2004 with Pepper Lawson being the low bidder. Their bid was about what the budget was and the other bids were about \$1 million over budget. Notice to proceed was given November 29, 2004. The District also decided to hire Water Resource Management as independent inspectors for the project which turned out to be a very good decision. The plant has been producing water since March 16th and will be on time and basically on budget. This plant was built with no interruption of making water. A lot of credit goes to the operators for the ability to make water throughout this process. Alderman Wood noted this was by far the biggest project he has been involved in as a MUD Director with the fewest problems. He said credit should be given to Carter Burgess, Pepper Lawson and Water Resource Management; however, the majority of the credit goes to Jay Middleton and his staff for overseeing the project and also continuing to make water at the same time. The west water treatment plant is located on property in Deerhaven and is a 1 MGD plant. It is a media filtration plant, but is a state of the art plant. It was completed in 2002 for a cost of \$2 million. It is modular construction and can be expanded to 2 MGD for less than \$1 million. This water is pumped into the elevated storage tank in West. The City has a 3.5 million gallon storage capacity. Three of the storage tanks are new and the other 3 have been reconditioned in the past 3 years. These should not require attention for another eight to ten years. There is a hydro-pneumatic tank which is used to provide pressure to the high pressure zone that will need to be replaced in the next few years. There are five water pumping stations. Two are raw water pumping stations and three are finished water pumping stations. All the pump stations are relatively new or reconditioned. We have 96 miles of water main line. The distribution system is 25 years old and will need to be replaced in a phased approach. Matern Island is budgeted for this year. All the lines and pumps have to be sized for fire suppression even is there is only one house at the end of the street. In HSB water is used for three things: potable water, irrigation and fire suppression. Right now there are 2776 connections and 560 fire hydrants. During a peak day, we cannot operate even a day on what is in storage. It is anticipated that in the near future we will need to use some of the expanded capability that we have planned for. In 2002 a Long Range Capital Improvement Plan was completed which provided needed information which can be updated and the same study used. The Mayor, Don Wood, Mike Thuss and Glenn Jones are currently working on the fiscal plan for utility rates. Sewer and garbage rates are relatively easy to set. Water rates require more study. Currently there is a \$10 million debt for financing of the new water plant. Should the City adopt a policy to make the Utility division fully self-financing, water rates would go up, but the tax rate should go down. The MUD policy was to make all the water that customers demand. There is plenty of water available from LCRA. Fixed costs are determined by irrigation water demand and there is a need to decide

how rates should be structured to fairly reflect the cost. Alderman Wood noted that water lines typically last 30 years and we can continue to repair the system; however, we cannot continue to upsize our water treatment capacity and not the water line system. Alderman Schrader asked about the gray water being used on the golf courses. Alderman Wood stated the gray water can be used on the two west golf courses and they can also pump water out of the lake. There are times we put our gray water on land we own as well as on some property that Mr. Hurd owns. Johnny Heck thanked Alderman Wood for the presentation and asked which plant will supply Escondido. Glenn Jones stated that it will be supplied by both plants. Mr. Wood said we have the ability to move water from one plant to another to handle needed capacity. Alderman Bird stated that it looks like we will need an expansion before the note for the CWTP is paid off. Mayor Lambert thanked Don Wood for his work. Alderman Wood and Mayor Lambert congratulated Jay Middleton for a job well done.

9. Resolution Adopting a Residential Homestead Tax Exemption: Mayor Lambert stated that Lake LBJ MUD has adopted a 20% homestead tax exemption and that the City needs to consider adopting the exemption at this time in order to provide it to the county appraisal districts in preparation of their appraisal notices. Mr. Wood made the motion to approve the 20% homestead tax exemption for 2006. The motion was seconded by Alderman Schrader. The motion passed by unanimous vote (5-0). Alderman Babcock asked that we confirm there is no further action needed by tax payers in order to continue receiving this exemption.
10. Report on Utility Relocation on FM 2147 Widening Project: Utility Manager Glenn Jones requested approval to negotiate a contract for this project with Capital Construction Company, the same contractor performing the TxDOT widening project, not to exceed \$150,000, to assign the funds for the project from the Capital Reserve Fund, and to issue a notice to proceed and present a progress report at the next Council Meeting. Mr. Jones noted that the contractor has been selected by a state governed bidding process and will already be mobilized onsite which will reduce the cost of the project and will also assist TxDOT in completing the project on time. Alderman Babcock asked if they are comfortable that \$150,000 will be enough for the project. General Manager Thuss stated he is confident it is. Alderman Wood made the motion to authorize the staff to negotiate and execute a contract with Capital Construction not to exceed \$150,000 for the line relocation project, assign the funds from the Capital Reserve Fund, and issue a notice to proceed as requested. The motion was seconded by Alderwoman Wines. The motion passed by unanimous vote (5-0).
11. Preliminary Plat Approval: Mayor Lambert stated there is one plat to approve on a preliminary basis. Staff states that all necessary information has been provided. Alderman Bird made the motion to approve the preliminary plats. The motion was seconded by Alderman Babcock. The motion passed by unanimous vote (5-0).
12. Adopt Ordinances Extending Traffic Rules to Certain Privately Owned Roads: Mayor Lambert stated there are two more ordinances for Matern Island and Escondido to be approved. Alderman Wood made the motion to adopt the Ordinance Extending Traffic Rules to Matern Island and Escondido. The motion was seconded by Alderman Schrader. The motion passed by unanimous vote (5-0).

13. Moratorium Related to Zones 13 and 14: Mayor Lambert stated that at the last meeting the Council adopted a moratorium relating to Zones 13 and 14. He wanted to provide a map showing each of these areas to supplement the information from the last meeting. Ron Mitchell and staff provided these maps. There are several maps related to the zoning of Horseshoe Bay. This is a much clearer indicator of the affected areas. Alderman Schrader made the motion to add these maps as a supplement to both the moratorium ordinance and to the official appendix of the Comprehensive Development Plan in order to more clearly define the areas. The motion was seconded by Alderwoman Wines. The motion passed by unanimous vote (5-0). Mayor Lambert thanked Mr. Mitchell for his work on these maps.
14. Zoning Ordinance: Mayor Lambert stated he feels one of the most immediate needs is a zoning document and that he, Alderman Babcock, and City Attorney Monte Akers have spent a great deal of time to create a quality draft that is tailored to Horseshoe Bay. The basic objective of tailoring it is to move all of the different deed restrictions that traditionally relate to zoning for all the various subdivisions and get them into an official Zoning Ordinance which will make them much easier to enforce. There are eleven different subdivisions all with different deed restrictions. There is much that is different for each subdivision, but there are many things that are the same. There are about 30 restrictions that are consistent in the various deed restrictions. There will probably be 4-5 that are not in any of the deed restrictions, but are something the attorneys feel need to be included. Then there will be an appendix with eleven sections with the verbatim deed restrictions for each of the eleven subdivisions. This is where the ordinance will cover building height, setbacks, and size of houses. There will be eleven maps, one for each subdivision, that will show the existing use classification for every parcel of property in the City. Mr. Hurd owns some property and the Resort owns some property that is in the City, but not covered by the moratorium. These will be included with the map of the subdivision it is closest to. State law requires that we zone every parcel in the city. This will be every parcel except the properties covered by the moratorium. Alderman Babcock will flag any items that are not existing deed restrictions in order for people to see these items. There are also items that might need changing and these will be flagged also. Commercial zoning is one of these items. Also to be addressed is the minimum size of homes in Horseshoe Bay. In HSB Proper, which is 90% of the City, the minimum house size if you are not on the water or golf course is 1200 square feet and the minimum if you are on the water or golf course is 1800 square feet. The Mayor believes the issue is to decide on the actual increase in size. He also feels this is a major reason to get the zoning done as quickly as possible in order to accomplish increasing the house size and include commercial development. The attorneys should have the draft ready the week of May 22nd. Mayor Lambert asked the Council to give permission for Alderman Babcock to release this document as a draft only when it is received. The ordinance is expected to be in excess of 100 pages and there will be printed copies at City Hall and it will also be available on the City website. The Mayor asked Aldermen Bird and Schrader to contact the various POA's to get their input in order to see if there is a need to change any of the existing deed restrictions for the subdivisions. The Mayor would like to postpone the discussion of the Zoning Ordinance at the June 6th meeting and schedule a workshop to begin work on the Zoning Ordinance on June 7th, and if time allows, begin discussion on the Subdivision Ordinance. He would also encourage community participation. He would also like to schedule a Public Hearing on June 12th as required by law to formally present the Ordinance for review which requires 15 days notice.

Following this Public Hearing, he requested conducting a second workshop on the Zoning Ordinance. Hopefully, the Council would then be prepared to approve the Zoning Ordinance at the June 20th meeting. If unable to do this, then try to resolve problem issues and approve as soon afterward as possible. Alderman Babcock reiterated that Horseshoe Bay is unique from the majority of cities due to the fact that the majority of the City is controlled by the various deed restrictions and restrictive covenants already in place in the respective subdivisions. He stated that in reading the various restrictions from the subdivisions there are approximately twenty-eight that are common to all the various subdivisions with only very minor differences. In reviewing other city's zoning ordinances there are another twelve to fifteen items that should be considered and included. It will be quite lengthy, possibly 150 pages, but it is not unmanageable. Alderman Babcock also stated this is a "living" document and will be subject to changes if needed at a later date. Alderman Babcock stated 95% of this will involve codifying existing restrictions and some slight tweaking. He also stated July and August will be the time to work on the budget process and they have been fortunate to have June to concentrate on this Ordinance. The Mayor stated the document will be ready to go out for review in two weeks and this should be a manageable task. Alderwoman Wines voiced her concern about NRPI selling lots and telling the buyers the minimum house size is 1200 sq. ft. Mayor Lambert stated he has communicated with NRPI and they are advising prospective buyers that it is likely the minimum house size will be increased by the City.

15. Establishment of a Planning and Zoning Commission: Alderwoman Wines requested that the Council consider establishing a Planning and Zoning Commission. Alderman Wood noted that it would be more effective to establish a Commission after a Zoning Ordinance is adopted. Alderwoman Wines agreed to address the issue after the Ordinance is adopted.
16. Subdivision Ordinance: Mayor Lambert stated Alderman Bird has taken the lead on this issue and has come up with a list of items he feels needs to be addressed. The Mayor requested that the list be made available to the community to address the issues. The list will be posted on the City website. In the existing City, the subdivision ordinance will likely only apply to one large undeveloped tract. It will however apply to the ETJ. The Mayor hopes to get all the questions answered by June 20th and then possibly pass the ordinance at the regular July meeting of the Council. Alderman Babcock stated that there will be items that are in the Zoning Ordinance that will need to be enforced through the Subdivision Ordinance. Alderman Bird stated that there are currently people considering developments in the ETJ that would like to have this ordinance passed in order to assist them in their planning. Alderman Wood expressed concern about question #12 pertaining to "private" roads. Mayor Lambert stated this would be reworded. He also wanted to add an additional question concerning minimum lot size and make it #28 and move the following questions down.
17. Future Meetings: Mayor Lambert handed out a list of future meetings and asked the Council members to review it. He emphasized that he wanted to meet all the legal requirements as well as respect the Council members' schedules. The proposed schedule includes a Public Hearing on the Zoning Ordinance on June 12th, with a workshop on the Zoning Ordinance and the Subdivision Ordinance to follow. The Mayor stated he feels one regular meeting per month is fine. He scheduled two meetings in November in order for the existing Council to

have a final meeting. The election will take place on the first Tuesday, votes will be canvassed within ten days, and then the newly elected members will be sworn in and take office. Alderman Wood made the motion to approve the schedule of meetings. The motion was seconded by Alderman Schrader. The motion passed by unanimous vote (5-0).

18. Adjournment: Alderwoman Wines made the motion to adjourn. Alderman Wood seconded the motion. The motion passed by unanimous vote (5-0) and the meeting was adjourned at 5:20 p.m.

APPROVED this 6th day of June, 2006.

Robert W. Lambert, Mayor

ATTEST:

Toni Vanderburg, City Secretary